

VETERINA D.O.O.

June 2003

INVESTMENT OPPORTUNITY

*Prospective investors are being presented with an opportunity to acquire 100% of the shares in the leading animal health and agrochemical company in Croatia, **Veterina d.o.o.** (the "Company"). The Company started its independent business operations in January of 2001 after separation from **Pliva d.d.**, the largest pharmaceutical company in Central Europe. The Company can trace the beginning of its operations back to 1901, and has proceeded with business operations after separation from Pliva based on the long tradition of scientific research work, manufacturing, and sale of animal health products. The Company would like to team up with a partner which would enable it to exploit opportunities in its principal target market of Central and Eastern Europe, in accordance with its goal of becoming a leading regional manufacturer of animal health products.*

Veterina has state-of-the-art technology and facilities for the production of products for the prevention and treatment of animals, feed additives, agrochemicals, disinfection agents, insecticides, and rodenticides.

***Deloitte & Touche** has been engaged as an advisor to Pliva d.d. in managing the process of its divestment of 100% of shares of Veterina d.o.o. which Pliva currently holds. Deloitte & Touche has prepared this document for the purpose of offering initial information on this investment opportunity to all the potential investors.*

LOCATION

Veterina is located in the town of Kalinovica, 18km from downtown Zagreb. Zagreb is the capital of Croatia with 800,000 people, and the Greater Zagreb region is economically the most developed part of the country with well over 50% of Croatia's GDP generated within it. The company is located on a major regional road, with easy highway access to all of Croatia, Slovenia, Serbia, Bosnia, Hungary, and Austria. Zagreb airport is 20km away.

The total area of the Company's site amounts to 250,239 m², out of which 32,124 m² are occupied by buildings. All objects on this site are property of the Company.

PRODUCTS

The Company's product portfolio includes around 250 products, divided in 5 basic groups:

1. Veterinary products, which are the most significant part of Veterina's business and include
 - a) Biological products, the most important of which are poultry and swine vaccines
 - b) Chemopharmaceutical products such as antimicrobials, antiparasitics, vitamin and mineral products etc.
2. Disinfectants
3. Feed Additives, including medicated and nutritive feed additives as well as special feed
4. Agrochemicals like herbicides and fungicides
5. Insecticides and rodenticides

The Company's leading brands are Geomycin and Vetoflok anti-

MARKETS & CUSTOMERS

microbials, Kostovit vitamin-mineral feed additive and Neopitroid insecticides.

Veterina has a leading position on the Croatian market, where it currently achieves 2/3 of its overall sales. Domestic sales amounted to approximately EUR 20 million in 2002. The company's market share in Croatia is 80% in biological products, 58% in chemopharmaceuticals, 63% in insecticides and rodenticides, and 32% in feed additives.

One-third of total sales, or around EUR 10 million in 2002, is exported, mostly to ex-Yugoslav countries and other Central and Eastern European markets, including Poland, Czech Republic, and Slovakia.

Some of the major buyers of the Company's products include the Croatian companies Farmacija, Medika, Veterinaria, Pliva, Bura, Žito and Chinchilla. Major export customers include Kemofarmacija (Slovenia), Poljovet (Bosnia), Orlando (Bosnia), Degussa (Germany) and Pliva Krakow (Poland).

TECHNOLOGY & REGISTRATIONS

The Company recognizes that continuous development of new and improved products is key to success in today's competitive environment and therefore maintains a strong product research department.

Veterina holds 735 product registrations in over 20 countries, with the largest number of them in Croatia. In foreign markets, the company strives to systemically follow EU and FDA requirements.

SUPPLIERS

Total value of purchases of raw materials amounted to just over EUR 10 million in 2002, with about 60% of the goods imported. The most significant raw materials purchased include Geomycin 200, pure ethanol, enrofloxacin, amoxicillin trihydrate, monocalcium phosphate and fresh fertilized eggs.

Major suppliers to Veterina include Pliva, BASF, BASF Agro, Syngenta Agro, Norbrook and Gyor.

IT SYSTEM

Since 1999, all business activities of the company have been supported by seven modules of SAP version 4.6, now being used by 75 operative users. In addition, the IT equipment includes 170 computers and 35 printers.

HUMAN RESOURCES

The company currently employs 374 people at Kalinovica site, with an additional 8 people in the representative offices abroad and 5 employees in the daughter company Veterina Polska. Out of these, 115 workers hold a 4-year University degree or higher.

PLANS

The management is committed to exploiting the future growth opportunities for the company, primarily in the immediate region and in CEE countries. There are plans for two Joint Venture projects, one in Belarus and the other in Russia, that Company management believe could add significant value to the Company. However, the plans are currently on hold pending the outcome of this sale process.

PLIVA

Pliva d.d., currently the 100% owner of Veterina, is the largest Central European pharmaceutical company, quoted on both the Zagreb and London stock exchanges. As part of its strategy of focusing on core

business, Pliva has in the last few years divested its stakes in several non-core operational areas. The sale of the shares in Veterina is part of this process.

FINANCIAL OVERVIEW

The following tables present the basic Profit & Loss and Balance Sheet items in 2001 and 2002:

PROFIT & LOSS ACCOUNT		for the 12 months of	
EUR thousand	<u>2001</u>	<u>2002</u>	
Operating revenue	29,525	29,980	
Cost of goods sold	(16,443)	(18,303)	
Operating costs	(9,559)	(9,790)	
EBITDA	6,184	5,330	
EBIT	4,882	3,994	
Net income	3,954	2,663	
Note: Assuming a year average exchange rate of HRK per 1 EUR	7.468966	7.406773	
Source: IAS Audited Reports			

BALANCE SHEET		as at 31 December of	
EUR thousand	<u>2001</u>	<u>2002</u>	
Total fixed assets	9,387	11,518	
Total current assets	25,437	23,033	
TOTAL ASSETS	34,823	34,551	
Long-term liabilities	158	1,216	
Total current liabilities	5,627	5,287	
Shareholders' equity	29,039	28,048	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	34,823	34,551	
Note: Assuming a year end exchange rate of HRK per 1 EUR	7.370030	7.442292	
Source: IAS Audited Reports			

CONTACT DETAILS

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